



U.S. GENERAL SERVICES ADMINISTRATION  
Office of the Inspector General

---

DATE: October 17, 2012

MEMORANDUM FOR DANIEL M. TANGHERLINI  
ACTING ADMINISTRATOR (A)

FROM: BRIAN D. MILLER   
INSPECTOR GENERAL (J)

Subject: GSA's Management Challenges

As required by the Reports Consolidation Act of 2000, Public Law 106-531, the Office of Inspector General prepared the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA. The statement also includes a brief assessment of the agency's progress in addressing those challenges.

Please review our assessment at your earliest convenience and prepare any comments you wish to append. If you have any questions or want to discuss this further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405-0002

# Office of Inspector General's Assessment of GSA's Major Management Challenges

October 2012

As required by the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) regularly identifies what it considers the U.S. General Services Administration's (GSA) most significant management challenges.

The following constitute what we believe to be GSA's most serious challenges. Some of these challenges represent an inherent risk to GSA's mission or programs and are not necessarily linked to a performance deficiency. As such, GSA management may not be able to eliminate those challenges, but should continue to take steps to address them.

## **CONSOLIDATION OF CENTRAL OFFICE PERSONNEL TO 1800 F STREET NW**

**ISSUE:** *In Washington D.C., the consolidation of central office personnel to 1800 F Street NW will pose challenges to the agency.*

When Phase I renovations to the GSA central office building are complete in fiscal year (FY) 2013, GSA plans to consolidate the majority of its functions in the Washington, D.C., area under one roof. This presents a unique challenge as the central office building does not have the space necessary to accommodate all employees concurrently. The lack of space will require GSA to increase telework and use various other techniques, such as hoteling, to provide personnel the resources they need to complete mission-critical activities. These changes will have a significant effect on employee collaboration. Hoteling means that employees will not have a dedicated workspace; instead, they will be assigned workspace on an as-needed basis. Increasing telework means employees will complete the majority of their duties off-site and managers will have to supervise and interact with employees in a virtual environment. This further highlights the need to develop new operating procedures for a more mobile workforce. With space at a premium, it will be necessary to digitize paper files. In addition, the agency may find it difficult to retain employees, given that their duty stations may change.

**AGENCY ACTIONS:** GSA faces the challenge of successfully bringing the majority of its functions in the Washington, D.C., area into a single location in FY 2013. To bring this about, GSA is looking at innovative ways to provide workspace. It is also looking at ways of reducing reliance on paper. Currently, the Federal Acquisition Service (FAS) is digitizing hard copy contract files and implementing the use of electronic contract files. Although the Public Buildings Service (PBS) currently uses a number of electronic records management systems, the official record typically remains the paper file.

## **ACQUISITION PROGRAMS**

**ISSUE:** *GSA continues to face challenges within the GSA Schedules Program.*

The GSA Schedules Program<sup>1</sup> remains one of GSA's largest procurement programs with approximately 19,600 contracts and \$39 billion in sales in FY 2011. FAS manages the program, which provides federal agencies and other authorized users the best value through a simplified procurement process for purchasing over 11 million commercial products and services. We have identified several challenges facing the GSA Schedules Program, including: pricing, contractor compliance, contract workload management, meeting small business goals, sustainability, and proposed changes to the General Services Administration Acquisition Manual (GSAM).

<sup>1</sup>Also referred to as Multiple Award Schedules and Federal Supply Schedules.

### Pricing

In GSA's Schedules Program, the contracting officer evaluates a contractor's prices or discounts offered by comparing them to prices or discounts the contractor offers to commercial customers. Therefore, the contracting officer's price analysis is a key step in determining fair and reasonable pricing. Given the volume of Schedule sales (over \$39 billion in FY 2011), even minor changes to pricing and discount structures can have a substantial impact.

The broad definition of a commercial item in the Federal Acquisition Regulation (FAR) also impacts Schedule pricing. Under the current definition, a commercial item is any product or service that is customarily used by the general public. The Schedules Program operates under the premise that contractors routinely sell commercial products and services in competitive markets and market forces establish fair and reasonable prices. However, the FAR does not require contractors to actually sell their products or services in the commercial marketplace, thus removing the critical link between the Schedules Program and competitively established market pricing. It has been our experience that many Schedule contractors sell exclusively to the federal government or create corporate structures to organizationally segregate their commercial business from their government business. We have also found that when a commercial market exists for a contractor's services, the work is performed on a firm-fixed price basis, which is not comparable to the hourly labor rates proposed on a time and materials basis under GSA Schedules. These scenarios present challenges to a contracting officer's ability to perform valuable price analyses.

The GSA OIG conducts preaward audits to assist contracting officers in negotiating Schedule contracts. However, the results of our audits are not being fully used. In FY 2011, we recommended price and discount adjustments that, if realized, would allow for over \$326 million in proposed contract cost avoidances and over \$9 million in recoverable overcharges. For those contracts audited in FY 2011 where the contract options have been awarded, FAS contracting officers agreed with all of the auditors' recommended cost avoidances. However, only a portion of this amount was actually achieved when the pending option periods were awarded. Given the billions of dollars of Schedule sales each year, it is essential that contracting officers are using all tools available to leverage the Government's buying power when negotiating contracts.

### Contractor Compliance

We are concerned that some Schedule contractors do not fully comply with the terms and conditions of their Schedule contracts. We previously reported to the Multiple Award Schedule Advisory Panel that 70 percent of Commercial Sales Practices documents provided by contractors contained data that was not current, accurate, or complete. We found that contractors have misrepresented their actual sales prices. For instance, in September 2011, a Schedule contractor agreed to pay almost \$63.7 million to the Government to resolve alleged false claims and contract fraud. In October 2011, another Schedule contractor agreed to pay \$199.5 million to settle allegations of failure to disclose discounts offered to commercial customers.

### Contract Workload Management

The Schedules Program is challenged with managing the workload associated with awarding and administering approximately 19,600 contracts. This workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as ongoing contract oversight. The primary challenge is ensuring that the workload does not affect the timeliness and quality of contract actions. We previously reported that a significant number of contracts with limited or no sales remain in the Schedules Program. Although FAS has since identified and eliminated a small percentage of contracts with no sales, it remains a challenge for FAS to make contracting officers' daily workload more manageable as new contracts continue to be awarded.

### Meeting Small Business Goals

Congress has proposed to increase small business contracting goals across the federal government from 23 to 25 percent. Although GSA is currently meeting the proposed 25 percent goal, many federal agencies and the

federal government as a whole are not currently meeting the accepted 23 percent small business contracting goal. As the leader in government procurement, GSA should continue to provide tools to other agencies to meet their respective small business goals. This should include awarding and managing small business contracting vehicles and marketing small business opportunities to increase customer bases.

### **Sustainability**

Executive Order 13514 was issued in October 2009 and required that 95 percent of new contract actions, including task and delivery orders (excluding weapon systems), be energy-efficient, water-efficient, biobased, environmentally preferable, non-ozone depleting, and contain recycled content, or use non-toxic or less-toxic alternatives. Accordingly, FAS must confirm a Schedule contractor's claims of environmentally preferable products and services. This task is complicated by the proliferation of environmental certifications in the marketplace. As outlined in a previous U.S. Government Accountability Office (GAO) report, even the processes used by the U.S. Department of Energy and the U.S. Environmental Protection Agency have control weaknesses that allow products to be erroneously certified. FAS must consider how it will verify the products and services it provides are accurately certified. This is particularly important as GSA is a leader in advancing the Administration's most visible environmental initiatives.

### **Proposed Changes to the General Services Administration Acquisition Manual**

A proposed rule for Part 538, Federal Supply Schedule Contracting, was published for comment in January 2009. We met with FAS officials several times to discuss our concerns with the proposed changes and thought we had resolved the issues. However, when we received the revised draft Final Rule in August 2009, significant issues remained. We formally commented in September 2009 that FAS's proposed changes to the GSAM will significantly weaken controls over the Schedules Program, making it less useful to customer agencies while wasting a significant amount of taxpayer dollars. Additionally, we explained that issuing the Final Rule with significant changes that have not been published or otherwise publicly communicated is not consistent with the Administration's emphasis on transparency in government operations. Based on the number and extent of changes from the published proposed rule, in addition to the length of time since comments were last received, another round of public comment is warranted.

**AGENCY ACTIONS:** As the number of contracts within the Schedules Program continues to increase, price disparity between the same commercial items is becoming more prevalent. In FY 2012, FAS outlined a Schedules Modernization Strategy to address the notion that the Schedules Program is operating on a 20-year-old business model, with dated practices and limited flexibility. Each of the four major areas of modernization — data driven pricing, enhanced service delivery, flexible contracting, and increased knowledge management capabilities — have an established goal to offer improved contract solutions for products and services. These solutions will permit GSA to increase price visibility allowing contracting officers to negotiate more favorable pricing, better serve federal agencies, increase flexibility, send clearer signals to industry, and save taxpayer dollars. Ultimately, the goal of the Schedules Modernization Strategy is to revamp the way GSA, customer agencies, and the contractors think about Schedule contracts.

In February 2010, the Multiple Award Schedule Advisory Panel (Panel) issued a report with findings and recommendations related to the Schedules Program. While the Panel identified some of the key problems with the Schedules Program, we disagree with the Panel's conclusions regarding the underlying causes of these problems. In essence, the Panel concluded the contract clauses are the cause of disparities in application of policy and requirements and recommends eliminating the Price Reductions clause. However, we view this clause as a control and safeguard that protects the Government and the taxpayer. In fact, we found the disparities result from a lack of understanding of these clauses by GSA contracting officers. This is further exacerbated by the high turnover of GSA acquisition staff, large workload, and a lack of consistent, adequate training for contracting officers.

FAS is proposing to close out the current Part 538 Rewrite Rule and open multiple cases. FAS plans to obtain concurrence on the multiple-case approach and submit a Federal Register notice to the Office of Management and Budget (OMB) to close the current rewrite effort. We disagree with this approach as it prolongs a resolution

to the most controversial policy issues. In addition, this piecemeal approach weakens management controls over the entire rewrite process.

**ISSUE:** *FAS needs to properly plan and award its new multiple award contract vehicle and ensure it adds value.*

### **One Acquisition Solution for Integrated Services (OASIS)**

FAS is developing One Acquisition Solution for Integrated Services (OASIS), a new government-wide multiple award contract for complex integrated professional services. OASIS is planned as a full-and-open, unrestricted procurement alongside OASIS Small Business, which is a 100 percent small business set-aside.

During the planning stage, FAS must ensure OASIS adds value to an already saturated contract environment and is designed to support the Office of Federal Procurement Policy in reducing duplication, capturing business intelligence information, and providing tools to reduce high-risk contracting. Specifically, OASIS should fill the current gap in professional services, reducing the need to use multiple contract vehicles to procure a complete solution.

As with any highly visible, large, and complex procurement, there are associated risks, such as protests by contractors, FAS must consider while awarding this contract. To mitigate those risks, FAS must ensure it is following applicable procurement laws. FAS should also be cognizant of the significant drain this procurement can have on its already overextended acquisition resources. Despite the priority of bringing OASIS to market, it is imperative that FAS does not rush this procurement and risk making costly mistakes.

**AGENCY ACTIONS:** FAS is developing the draft request for proposal with an anticipated issue date of September 2012. As it prepares to issue the draft request for proposal, GSA developed an OASIS Industry Community webpage to seek input from industry and is also meeting with a group of customer agencies.

**ISSUE:** *GSA continues to face challenges with the timely transition from FTS2001/Crossover contracts to the Networkx contracts and the upcoming transition to Network Services 2020.*

### **Networkx Transition**

FAS managed the conversion from the FTS2001/Crossover contracts to the Networkx contracts, one of the largest telecommunications services transitions ever undertaken by the federal government. This transition involved more than 135 agencies, more than 50 services, and thousands of voice and data circuits. As of July 2012, there are still agencies that have not transitioned to Networkx while the contract vehicle to replace Networkx, Network Services 2020 (NS2020), is on the horizon.

As of July 9, 2012, 12 agencies have not made the transition to Networkx contracts and have entered the Emergency Action Period, which will run until approximately December 2013. If an agency cannot fully transition within this period, it will need to either develop its own sole source contracts or execute short-term task orders to temporarily move the remaining services to the Networkx contracts. Otherwise, its services will be disconnected. Either scenario would lead to inefficient use of federal resources.

GSA is not only faced with completing the current transition, but also must begin planning for the NS2020 acquisition that will replace Networkx. Given the difficulties GSA encountered with the Networkx transition, GSA should identify the issues and ensure they are addressed when planning the NS2020 acquisition.

**AGENCY ACTIONS:** GSA established a project team by agency and carrier to conduct bi-weekly status meetings until the transition is completed. On September 27, 2012, GSA will hold a roundtable with the Chief Information Officer, Chief Acquisition Officer, and other federal leaders to discuss NS2020. By January 2013, there will be a second roundtable to discuss strategic goals and portfolio options.

## GSA's ORGANIZATIONAL STRUCTURE

**ISSUE:** *GSA is rebuilding and restructuring its organization, which will require a reassessment of the agency's current controls and systems.*

The GSA Acting Administrator has initiated a comprehensive, Top to Bottom review of the agency and its operations. Through a GSA Order, the Acting Administrator has already centralized FAS and PBS regional budget and financial management under the Office of the Chief Financial Officer. Since the results of the Top to Bottom review are not yet known, it is uncertain how they will influence the structure of the organization or how the restructuring will affect established systems and controls.

In September 2012, the Acting Administrator named a new PBS Commissioner. While this should create stability at the top of the organization, the PBS senior management team as a whole lacks experience in their current positions and needs to be strengthened. As of September 2012, five of eleven PBS Regional Commissioners were serving in an acting capacity. In addition, all but three senior managers at the Assistant Commissioner level have less than two years of experience in their current positions. As with any organization, senior management is responsible for establishing and maintaining a positive and supportive environment and for ensuring operations are effective, efficient, and comply with laws and regulations. PBS needs to rebuild an effective management team that can set the agency's objectives and establish and implement the policies, procedures, and techniques needed to meet those objectives.

**AGENCY ACTIONS:** In a September 2012 Senate hearing, the Acting Administrator announced that the agency was in the process of finding a new FAS Commissioner. In addition, the Acting Administrator also proposed plans to consolidate the agency's information technology functions under the Office of the Chief Information Officer and personnel functions under the Office of the Chief People Officer. The abundance of organizational changes highlights the continuing challenge GSA faces as it attempts to restructure the agency.

## GSA's GREENING INITIATIVE — SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

**ISSUE:** *Challenges exist in achieving GSA's sustainability and environmental goals.*

GSA plays a major role in federal construction, building operations, acquisition, and government-wide policy. GSA has received additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and Executive Order 13514 — Federal Leadership in Environmental, Energy, and Economic Performance. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas (GHG) emissions, conserve water, reduce waste, support sustainable communities, and leverage federal purchasing power to promote environmentally responsible products and technologies.

In response to its sustainability responsibilities, GSA issued its FY 2011-2016 Strategic Sustainability Performance Plan (SSP Plan)<sup>2</sup>; however, GSA faces challenges in executing this plan. Specifically, it requires the implementation of sustainable practices within the agency along with coordination with customer agencies and contractors. It also requires actions at the building and employee level as specific emerging technologies and measures are implemented and employees are tasked with changing their behaviors. In 2012, GSA submitted the Resiliency and Adaptation Plan to OMB<sup>3</sup> along with the SSP Plan. This addition to the SSP Plan focuses on climate change adaptation planning to secure the federal property investment and to remain responsive to customer agencies' needs. The FY 2011-2016 SSP Plan shows that GSA met or exceeded many, but not all, of its FY 2010 sustainability goals. Actions taken since the FY 2011-2016 SSP Plan was issued will allow GSA to meet more goals.

We have identified four obstacles to GSA's sustainability initiatives including: (1) developing a management framework that GSA can use, (2) developing metrics that demonstrate the impact of GSA's changes, (3) collecting data to support goals and evaluate return on investment, and (4) funding specific programs.

<sup>2</sup> The current SSP Plan is available at <http://www.gsa.gov/portal/category/100551>.

<sup>3</sup> The Resiliency and Adaptation Plan draft was sent to OMB in June 2012 and will not be released in final until approved by OMB.

### **Management Framework for Sustainability**

To implement its SSP Plan successfully, GSA needs a transparent management framework. The framework should be based on a collaborative approach to “drive things down” throughout the organization and support coordination efforts with customer agencies and contractors. GSA’s sustainability initiatives span all of the agency’s business lines, but there is no clear process to merge the disparate parts and implement overall program management.

Success is highly dependent on communication that crosses program lines and extends to external partners. When GSA began its sustainability initiatives, it did not develop a management framework that could be used to lead its efforts and evaluate results. For example, GSA requires construction projects to seek Leadership in Energy and Environmental Design certification and install building upgrades aimed at improving energy efficiency. However, there is no program set up to monitor and evaluate the actual results. The Office of the Chief Greening Officer (CGO) within the PBS Commissioner’s Office struggles with a matrix organization, a lack of influence, and difficulties integrating sustainability requirements with business line processes.

### **Metrics Need to be Developed and Adopted**

GSA needs meaningful and balanced metrics that align with the agency’s mission and encourage improvement in sustainable processes. In addition, GSA needs to adopt a return-on-investment approach to demonstrate economic lifecycle viability and to determine if an outcome is “greener” due to any improvements in technologies and processes. However, developing and adopting metrics may be problematic. In many cases, the metrics related to sustainability are not standardized and there may be multiple methodologies to measure a given aspect of sustainability. In addition, monitoring and tracking the effectiveness of all measures taken will likely be a large undertaking given the extent of GSA’s operations. Further, metrics by themselves may not be reliable as there may be a multitude of factors influencing a specific metric, such as building tenants’ operations.

Difficulty in adopting metrics is further complicated given that sustainability goals sometimes clash with one another. For instance, GSA is having difficulties meeting the SSP Plan’s goal to increase alternative fuel use because goals to reduce GHG emissions do not necessarily align with alternative fuel usage goals. For example, alternative fuel vehicles may actually produce more GHG emissions than regular fuel vehicles. Additionally, the move from leased space to federally owned buildings, while a worthy aim, may have a negative impact on meeting GHG emission goals.

### **Capturing Accurate and Complete Data**

GSA needs to be able to demonstrate the benefits of investing in new sustainable technologies, as they tend to be more costly up-front than conventional technologies. Accurate, complete, and replicable data is crucial to quantifying these benefits; however, capturing this data may prove to be a challenge. For example, the benefits of investing in High-Performance Green Buildings range from increased application of reuse and recycling programs to reduced consumption of water, energy, and material resources. However, these types of benefits are often difficult to accurately measure.

### **Funding for Sustainability Programs**

To date, GSA has had difficulty in funding specific sustainability programs, especially for building-related programs. For example, the Office of Federal High-Performance Green Buildings was established by the Energy Independence and Security Act of 2007, but was not funded until the Recovery Act provided \$4 million for the program in FY 2009. The Office of Federal High-Performance Green Buildings plans to provide government-wide standards for green federal buildings and to disseminate practices, technologies, and research results through outreach, education, and technical assistance. However, with a September 30, 2011, deadline to obligate Recovery Act funds, this office now relies upon annual appropriations.

In addition, GSA established a Green Proving Ground (GPG) program under the CGO to identify, acquire, implement, and evaluate the performance of innovative technologies. Funding to accomplish these goals has

not been available through the appropriations process; therefore, the GPG must obtain its staff and operations via other funded divisions. Since there is no budget to acquire new technologies, the Office of the CGO is attempting to find partners to lend technologies to GSA. A December 2011 request for information resulted in 64 contractors interested in “gifting” technologies to GSA. The National Renewable Energy Lab is currently rating the gifted technologies for selection.

**AGENCY ACTIONS:** In its FY 2013 congressional budget justification, GSA renewed its vision of achieving a Zero Environmental Footprint. To accomplish this, GSA has placed an emphasis on pursuing environmentally friendly practices in its operations. These practices range from increasing employee telework and hoteling at agency worksites, to purchasing green information technology, equipment, vehicles, and greening the federal supply chain. The budget justification also includes a carbon budget to measure GHG emissions.

GSA has also taken several steps to address the challenges to its overall sustainability program. On October 1, 2012, GSA decommissioned the online Recovery Act High-Performance Green Building Database, which was created to track sustainability data for both Recovery Act and non-Recovery Act projects. GSA will replace the online Recovery Act High-Performance Green Building Database with gBuild, the Green Building Upgrade Information Lifecycle Database. The 287 unique projects in the Recovery Act High-Performance Green Building Database<sup>4</sup> will be migrated to the successor system. During the migration period, data from the original system will be available for reporting purposes.

The Office of Federal High-Performance Green Buildings' Sustainable Facilities Tool website and mobile application continues to provide guidance for greening projects. In addition, the office also: (1) conducted a survey of employee commutes to measure GHG emissions, (2) provided OMB with recommendations for GHG accounting, (3) commissioned a report from the U.S. Department of Energy on the Green Building Certification System Review, and (4) commissioned a report from the National Academies' National Research Council on *Achieving High-Performance Federal Facilities: Strategies and Approaches for Transformational Change*. In addition, the office is developing a plan to assess GHG emissions in GSA's leasing portfolio.

In accordance with the Federal Buildings Personnel Training Act of 2010, GSA developed a curriculum for core competencies, including sustainability. The goal is to implement transformational concepts across the federal government.

In April 2011, the GPG program selected 16 technologies and practices from Recovery Act projects for enhanced measurement and verification. The GPG will test, monitor, and evaluate these selected technologies and use any findings to determine whether to deploy the technologies and practices in the future. In March 2012, a study titled *Wireless Sensor Network for Improving the Energy Efficiency of Data Centers* was completed. Other studies are in the works through various laboratories, including: Lawrence Berkeley National Laboratory, National Renewable Energy Laboratory, Sandia National Laboratories, and Facilities Dynamics Engineering, Inc. GSA is planning to select 12 GPG technologies from FY 2012 that will be matched with existing buildings in the portfolio. The U.S. Department of Energy is a partner that assists with measurements and verification and advises GSA on how to share information throughout the Government.

In December 2011, a governance board, co-chaired by the CGO and the PBS Deputy Commissioner, was formed with participants including Assistant and Regional Commissioners. The governance board has coordinated sustainability efforts with the National Sustainability Council, which now includes more staff-level employees. The Office of the CGO also helped each PBS line develop a priority list, which clarified roles to achieve sustainability.

## **PROTECTION OF FEDERAL FACILITIES, PERSONNEL, AND INFORMATION**

**ISSUE:** *Challenges to safeguard federal facilities and to provide a secure work environment for federal employees continue to exist.*

<sup>4</sup>Project data accessed from Recovery Act High-Performance Green Building Database <http://recoveryhpgb.gsa.gov> on August 6, 2012.

GSA plays a significant role in providing a safe, healthy, and secure environment for federal employees and visitors at approximately 9,600 owned and leased federal facilities nationwide. Increased risks of workplace violence, unauthorized access, and terrorism have greatly expanded the range of vulnerabilities traditionally encountered by building operations personnel. Nonetheless, maintaining open and accessible public buildings, that are adequately safeguarded, must remain a primary consideration for GSA.

GSA's mission of housing federal agencies requires the agency to closely interact with security personnel. Under a Memorandum of Agreement with GSA, the Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities.

GAO identified shortcomings in FPS operations and human capital that leads to concerns about the protection of federal buildings, their tenants, and information. FPS's persistent lack of a risk management framework to combine threats and vulnerabilities with resource requirements is a recurring challenge to the agency. The lack of a systematic approach for using technology to reduce risk to federal buildings and facilities is also of concern. Installation and implementation of countermeasures cannot be fully performed in these conditions. Consequently, tenant agencies are conducting their own security assessments to compensate for those not completed by FPS. Further, FPS operates without a strategic human capital plan to guide workforce planning and weaknesses exists in the training and certification of the contract guard program.

Although the majority of protection of federal facilities is performed by FPS, GSA's role in developing the Memorandum of Agreement, providing building data, and identifying building jurisdiction is of particular importance. Such information is critical to FPS, state, and local law enforcement's ability to respond to incidents at federal facilities.

**AGENCY ACTIONS:** GSA is in the process of combining enterprise-wide physical security, HSPD<sup>5</sup>-12, and emergency management responsibilities within the Office of Emergency Response and Recovery. This alignment will enhance the agency's capacity to fulfill its missions, including those directed by HSPD-7 relating to critical infrastructure. GSA has been designated as co-chair of the Government Coordinating Council under the National Infrastructure Protection Plan.

The Office of Emergency Response and Recovery has assumed executive leadership for GSA's relationship with FPS and initiated a broad spectrum of interactions, including the development of a Common Operating Picture between the two organizations. GSA believes these arrangements will help mitigate communication gaps and enhance the risk resilience framework between GSA and FPS.

## AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

---

**ISSUE:** *GSA's implementation of the Recovery Act will continue to challenge the agency.*

The Recovery Act provided GSA with \$5.55 billion to convert federal buildings into High-Performance Green Buildings, as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandated that \$5 billion of the funds must be obligated by September 30, 2010, and that the remaining funds be obligated by September 30, 2011.

GSA has been challenged by the Recovery Act from the beginning. The increased workload from the Recovery Act was a major challenge for GSA's workforce. Although many of the projects will be completed in the near future, obtaining funding for phased projects, managing project changes, and tracking the results of High-Performance Green Building projects remain challenges for GSA.

---

<sup>5</sup>Homeland Security Presidential Directive

### **Funding for Phased Modernization Projects**

PBS included several phased full building modernization projects in its Recovery Act spend plan, including the Prince Jonah Kuhio Kalanianaʻole Federal Building and Courthouse, the Herbert Hoover Building, and the GSA Headquarters Building. Since GSA only partially funded these projects, the completion depends on hundreds of millions of dollars of future funding. However, since the Recovery Act, GSA's construction budget has been significantly reduced. As a result, the completion of these projects will likely be postponed indefinitely. In the long run, project costs will rise due to inflation and the additional costs associated with remobilizing halted projects. As project completions are postponed, GSA must determine how best to use completed building sections and plan for rising project costs.

### **Lack of Contingency Funding**

The Recovery Act required GSA to obligate all of the construction funding by September 30, 2011, and as a result, GSA could not save any contingency funds for project changes and unforeseen conditions. Although the Recovery Act provided GSA with the ability to deobligate and reobligate funds, ensuring projects have the funds they need and that funds are used properly is a challenge. We have found invalid obligations preserving funds for contingencies and have alerted the agency.

### **Tracking Results**

Using Recovery Act funds, GSA implemented a number of measures to comply with energy efficiency and green building requirements and to demonstrate federal leadership in sustainability, energy efficiency, and reducing the agency's environmental impact. As reported by GAO, when the Recovery Act projects began, GSA did not have a program to gather information on what measures were being implemented, how they were expected to impact the buildings, and whether the measures were effective. GSA will need to find ways to identify the measures that are being taken, quantify the results of their implementation, and evaluate their effectiveness.

**AGENCY ACTIONS:** GSA developed a database to track its High-Performance Green Building measures funded by the Recovery Act. With regard to contingency funds, it issued guidance on deobligating and reobligating funds between projects.

## **FINANCIAL REPORTING**

---

**ISSUE:** *Controls over budgetary and financial reporting are affected by the absence of a single acquisition system that interfaces directly with GSA's financial system.*

### **Budgetary, Financial Reporting, and Acquisition Systems**

The Independent Public Accountant continues to observe deficiencies in GSA's accounting process during the annual audit of GSA's financial statements. Specifically, the absence of an integrated procurement and acquisition system for PBS and FAS has been a challenge in financial reporting since FY 2005. While GSA continues to make improvements concerning this issue, similar deficiencies with controls over budgetary accounts still exist.

**AGENCY ACTIONS:** In partnership with the Office of the Chief Information Officer, the Office of the Chief Financial Officer works to promote the reliability of budgetary and financial information. GSA is also considering taking an agency-wide approach to acquisition systems. FAS is developing a comprehensive acquisition system for itself and PBS has partnered with FAS to address PBS's requirements for its current system development.

**ISSUE:** Accounting policies and the due care process over environmental liabilities needs improvement.

### Accounting Policies over Environmental Liabilities

Federal regulations require GSA to assess and report on whether environmental contamination exists on government properties and to determine the costs to clean-up the contaminated site. GSA's environmental assessments consist of (1) identifying new environmental contamination sites and determining the related remediation costs; (2) updating the status of existing contamination sites; (3) classifying liabilities as probable, reasonably possible, or remote; (4) quantifying liabilities for accounting purposes; and (5) reporting liabilities in the annual financial statements. As noted in the current and prior year's financial statement audits, challenges in improving accounting policies and the due care process for recording clean-up costs persist for PBS. Although policy revisions are occurring, the potential for liabilities not captured in Cost Estimation Questionnaires continues to pose a challenge as there is no review or verification process in place. The review and verification of supporting documentation of environmental liability estimates, the amounts accrued and reported in the financial statements, and related note disclosures may improve accuracy.

**AGENCY ACTIONS:** PBS, in conjunction with the Office of the Chief Financial Officer, has been working to revise the accounting policies governing environmental cleanup costs. In addition, PBS has performed analyses to determine the correct accounting treatment of environmental cleanup costs incurred during renovation projects and for future estimated cleanup costs charged to land. PBS's environmental division has also developed training materials to aid in addressing this challenge.

## INFORMATION TECHNOLOGY

---

**ISSUE:** Improved planning, development, and implementation of information technology systems and services are needed to ensure quality data to support business decisions.

### Information Technology Systems

GSA management faces challenges as GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction. Challenges in reengineering business processes across the agency and implementing enterprise architecture have led to duplicative systems that are costly to maintain and operate. Further, it is difficult for GSA to track and report management information needed for decision making. Shared services and integrated information systems would enhance data quality and ensure that transparency and accountability goals are achieved.

GSA's Initial Information and Data Quality Plan identifies enterprise architecture and the use and management of information technology (IT) as critical factors to consider when constructing a data quality program. Despite this, GSA IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality.

**AGENCY ACTIONS:** The Office of the Chief Information Officer developed an IT Strategic Business Plan covering FY 2012 through FY 2015 to enable the planning, decision-making, acquisition, and execution of IT services by individual services, staff offices, and business-level program areas. The plan is intended to guide GSA IT investment decisions and communicate long-term goals and objectives.

As part of the agency's FY 2013 budget, GSA has requested funding for the following IT modernization efforts: (1) consolidating the Integrated Acquisition Environment, which collects and displays all government procurement data, into a single environment; (2) establishing new capabilities for the Information Sharing and Identity Management program, which is a multi-agency effort to improve cyber security and provide trusted entities in cyberspace; and (3) funding Electronic Government project areas that aim to continue transparency into federal operations through the use of IT and increased citizen participation in the Government.

In addition, during a September 2012 Senate hearing, the Acting Administrator announced plans to propose to Congress that all agency information technology personnel, budgets, and systems be consolidated under the Office of the Chief Information Officer.

**ISSUE:** *Improvements are needed to protect sensitive GSA information and to address emerging risks.*

### **Protecting Sensitive GSA Information**

Coordination, collaboration, and accountability across the agency are necessary to protect sensitive GSA information. Improvements are needed in three high priority security risk areas —patch management, contingency plan testing, and mobile application development. Additional oversight of patching processes for GSA systems could reduce threats from known security vulnerabilities. PBS needs to ensure that newly deployed systems are recoverable from backup media. Finally, additional guidance is needed to direct agency development of secure mobile applications.

GSA's increased adoption of mobile computing is an emerging risk that must be managed. In its IT Strategic Business Plan covering FY 2012 through FY 2015, the Office of the Chief Information Officer added a goal to enable GSA employees to access any system, from any location, at any time, from any device. Mobile platform risks differ from those associated with traditional computing. These include poor session handling, reduced authorization and authentication requirements, and increased potential for data leakage due to loss or theft of devices. GSA needs to update its existing applications to provide mobile versions to web browser clients. Further, GSA is piloting programs to allow employees to access GSA resources via their personal mobile devices and is providing tablet computers to employees. GSA has the challenge of identifying business cases for adopting mobile computing and must balance operational improvements with the additional security risks and deployment costs of these solutions.

With regard to its own operations, as well as its role as facilitator for customer agencies, GSA's migration to cloud computing environments is an emerging risk area that must also be managed. Potential benefits achieved with cloud computing technologies include cost efficiencies, green efficiencies (lower power consumption and a reduction in carbon footprints), and enhanced security. However, to realize these potential benefits, GSA must address the risks of using cloud computing related to records management, privacy, security, continuous monitoring, e-discovery, and application portability.

**AGENCY ACTIONS:** GSA updated its IT security policy and several IT security guides, as well as developed guides for securing a new cloud platform and implementing security controls. GSA also issued an Instructional Letter on procurement, deployment, and appropriate use of mobile device applications.

To support a continued expansion of agencies' IT capabilities into cloud computing environments, GSA awarded twelve Infrastructure as a Service<sup>6</sup> blanket purchase agreements to provide government entities with cloud storage, virtual machines, and web hosting services. GSA has completed security authorizations for four of these contractors.

Future security authorizations will go through Federal Risk and Authorization Management Program (FedRAMP), under which GSA has been named the managing partner. FedRAMP is a government-wide initiative to provide joint security authorization and accreditation and continuous monitoring services for large, outsourced, and multi-agency systems. FedRAMP has accredited third-party assessment organizations and has declared that it had reached Initial Operating Capability. The FedRAMP Program Management Office expects to authorize its first solutions by the end of 2012.

<sup>6</sup> *These solutions provide the customer the ability to provision processing, storage, networks, and other fundamental computing resources to deploy and run arbitrary software, including operating systems and applications. The consumer does not manage or control the underlying cloud infrastructure but has control over operating systems, storage, deployed applications, and possibly limited control of select networking components (e.g., host firewalls).*